

VILLAGE OF OTISVILLE

OTISVILLE, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf, CPA, PC

Serving You with Trust and Integrity

October 20, 2008

INDEPENDENT AUDITOR'S REPORT

To the Village Council
of the Village of Otisville

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Village of Otisville, as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Otisville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Otisville, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, DDA Fund, and Village Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of the Village of Otisville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages II - IX, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Otisville's basic financial statements. The additional information on pages 23 - 34 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

As management of the Village of Otisville, we offer readers of the Village of Otisville's financial statements this narrative overview and analysis of the financial activities of the Village of Otisville for the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- A. The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$2,449,187 (net assets).
- B. The Village's total net assets increased by \$67,231 for the fiscal year ended June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Village of Otisville's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reports as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. delinquent personal property taxes).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Fund Financial Statements: (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, public improvement fund, village improvement fund and DDA fund all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general fund, public improvement and special assessments bond fund. Budgetary comparison statements have been provided for the operation & maintenance fund and capital fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 3 through 4 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer activity.

The proprietary fund financial statements can be found on pages 5 to 7 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 22 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. The other supplementary information can be found on pages 23 through 34 of this report.

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

	2008			2007
	Governmental Activities	Business-Type Activities	Total	Total
Current Assets	\$491,732	\$298,896	\$790,628	\$448,972
Noncurrent Assets	200,891	2,081,061	2,281,952	2,271,211
<u>TOTAL ASSETS</u>	<u>\$692,623</u>	<u>\$2,379,957</u>	<u>\$3,072,580</u>	<u>\$2,720,183</u>
Current Liabilities	\$51,636	\$21,283	\$72,919	\$45,470
Noncurrent Liabilities	330,000	220,474	550,474	292,757
Total Liabilities	\$381,636	\$241,757	\$623,393	\$338,227
Net Assets				
Invested in Capital Assets – Net of Debt	53,371	1,839,304	1,892,675	1,941,171
Unrestricted	257,616	298,896	556,512	440,785
Total Net Assets	<u>\$310,987</u>	<u>\$2,138,200</u>	<u>\$2,449,187</u>	<u>\$2,381,956</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$692,623</u>	<u>\$2,379,957</u>	<u>\$3,072,580</u>	<u>\$2,720,183</u>

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2008 and 2006, the Village's results of operations were:

	2008			2007
	Governmental Activities	Business Type Activities	Total	Total
Revenues:				
Program Revenues:				
Charges for Services	\$55,614	\$214,472	\$270,086	\$306,452
Operating Grants	7,649	0	7,649	0
General Revenues:				
Property Taxes	274,448	0	274,448	255,811
State Sources	156,332	0	156,332	154,828
Investment Earnings	3,861	8,371	12,232	12,071
Other	(45,641)	47,539	1,898	15,397
Total Revenues	<u>\$452,263</u>	<u>\$270,382</u>	<u>\$722,645</u>	<u>\$744,559</u>
Functions/Program Expenses:				
DDA	9,990	0	9,990	63,052
Legislative	12,482	0	12,482	13,086
Executive	4,117	0	4,117	13,394
Election	1,089	0	1,089	87
General Administration	37,991	0	37,991	26,980
Law Enforcement	91,910	0	91,910	106,912
Department of Public Works	115,026	0	115,026	125,145
Community Development	7,649	0	7,649	0
Highways, Streets and Bridges	76,206	0	76,206	90,900
Village Parks	5,628	0	5,628	2,925
Interest on Long-Term Obligations	5,865	0	5,865	4,260
Water	0	111,052	111,052	120,445
Sewer	0	176,409	176,409	169,980
Total Expenses	<u>\$367,953</u>	<u>\$287,461</u>	<u>\$655,414</u>	<u>\$737,166</u>
<u>INCREASE IN NET ASSETS</u>	\$84,310	(\$17,079)	\$67,231	\$7,393
<u>BEGINNING NET ASSETS</u>	<u>226,677</u>	<u>2,155,279</u>	<u>2,381,956</u>	<u>2,374,563</u>
<u>NET ASSETS - ENDING</u>	<u>\$310,987</u>	<u>\$2,138,200</u>	<u>\$2,449,187</u>	<u>\$2,381,956</u>

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

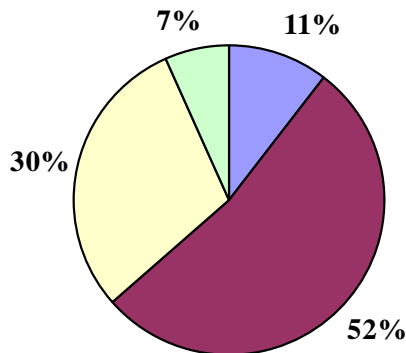
During the year ended June 30, 2008, the Village's Total Net Assets increased by \$67,231 to a total of \$2,449,187. The largest portion of the net assets are the Village's investment in capital assets. Net assets (invested in capital assets, net of related debt) at the end of the year was \$1,892,675. The Villages Unrestricted Net Assets was \$556,512 at the end of the year. The restricted Net Assets consist of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to pay for government services to residents.

Analysis of Results of Operations

The Village's overall revenues exceeded its expenditures by \$67,231 for the year. Revenues decreased by \$21,914 from last year, primarily from decreases in charges for services. Expenses decreased by \$81,752 due to decreases in contract services.

Revenues by Source – Governmental Activities

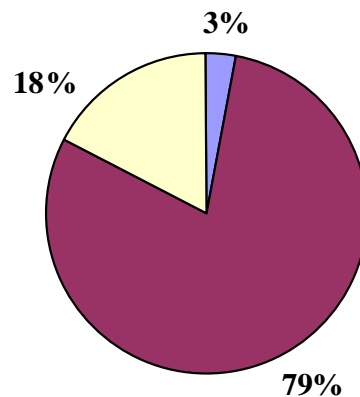
Total Revenues = \$452,263



Charges for Services	Property Tax
State Sources	Other

Revenues by Source – Business-Type Activities

Total Revenues = \$270,382



Investment Earnings	Charges for Services
Other	

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the Village's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The Village's general fund is the chief operating fund of the Village. Unreserved fund balance for the general fund increased by \$1,323 during the year. Revenues for the year decreased by \$30,012 primarily due to decreases in equipment rental. Expenditures and other financing uses increased by \$25,905, primarily due to decreases in personnel costs and equipment purchases.

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

DDA Fund

Unreserved fund balance for the DDA fund increased by \$32,045 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$11,911 primarily from an increase in tax collections. Expenditures and other financing uses decreased by \$34,029, primarily from decreases in contract services and personnel costs.

Capital Improvement Fund

Restricted fund balance for the Capital Improvement fund increased by \$203,480 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$300,235 primarily from bond proceeds. Expenditures and other financing uses increased by \$96,755, primarily due to ongoing construction project.

Village Improvement Fund

Unreserved fund balance for the Village Improvement fund increased by \$36,872 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$2,888 primarily from an increase in property taxes. Expenditures and other financing uses decreased by \$177, primarily from decreases in transfers from other funds.

FINANCIAL ANALYSIS OF BUSINESS-TYPE ACTIVITIES

Enterprise Fund

Net assets for the enterprise fund decreased by \$17,079 during the year with the decrease coming primarily from a decrease in investment in capital assets, net of related debt. Revenues for the year increased by \$36,075 primarily due to increases in transfers from other funds. Expenditures and other financing uses decreased by \$2,964, primarily from decreases in fringe benefits and contract services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

At the end of fiscal year 2008, the Village had \$4,721,415 invested in land, furniture and equipment, leasehold improvements, and sewer system. Of this amount, \$2,439,463 in depreciation has been taken over the years. We currently have net book value of \$2,281,952. Total acquisitions for the year were \$0, construction in progress was \$90,800 and depreciation expense was \$80,059.

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
Land	\$2,000	\$0	\$0	\$2,000
Land Improvements	335,000	0	0	335,000
Buildings	52,000	0	0	52,000
Equipment	302,073	0	22,000	280,073
Totals at Historical Cost	\$691,073	\$0	\$22,000	\$669,073
Less: Accumulated Depreciation				
Land Improvements	(311,750)	(770)	0	(312,520)
Buildings	(24,860)	(940)	0	(25,800)
Equipment	(238,732)	(3,930)	(22,000)	(220,662)
Total Accumulated Depreciation	(\$575,342)	(\$5,640)	(\$22,000)	(\$558,982)
<u>NET GOVERNMENTAL ACTIVITIES</u>	<u>\$115,731</u>	<u>(\$5,640)</u>	<u>\$0</u>	<u>\$110,091</u>

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Asset (Continued)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
BUSINESS - TYPE ACTIVITIES				
Land	\$110,579	\$0	\$0	\$110,579
Sewer System	2,996,300	0	0	2,996,300
Water System	854,663	0	0	854,663
Less: Accumulated Depreciation	(1,806,062)	(74,419)	0	(1,880,481)
<u>NET BUSINESS - TYPE ACTIVITIES</u>	<u>\$2,155,480</u>	<u>(\$74,419)</u>	<u>\$0</u>	<u>\$2,081,061</u>

Debt, Principal Payments

The Village made principal payments on bonded, long term debt obligations that reduced the amount of the Village's long term liabilities as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Governmental Activities:				
Bonds Payable	<u>\$67,000</u>	<u>\$300,000</u>	<u>\$16,000</u>	<u>\$351,000</u>
Business-Type Activities:				
Bonds Payable	<u>\$263,040</u>	<u>\$0</u>	<u>\$21,283</u>	<u>\$241,757</u>

The Village issued Capital Improvement Bonds dated May 22, 2008 in the aggregate amount of \$300,000. The bonds require annual principal payments and semi-annual interest payments at 4.6% per annum. The principal balance at June 30, 2008 was \$300,000.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

GENERAL FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenues	\$239,196	\$270,245	\$282,356	12.98	4.48
Expenditures	<u>235,197</u>	<u>270,837</u>	<u>281,033</u>	15.15	3.76
<u>TOTAL</u>	<u>\$3,999</u>	<u>(\$592)</u>	<u>\$1,323</u>		

Original vs. Final Budgets

Revenues

There were no significant variances between original and final budget.

Expenditures

There were no significant variances between original and final budget.

VILLAGE OF OTISVILLE - OTISVILLE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Actual Results vs. Final Budgets

Revenues

There were no significant variances between final budget and actual.

Expenditures

There were no significant variances between final budget and actual.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- * The Village of Otisville's 2008/2009 adopted budget is as follows:

REVENUE	\$292,123
EXPENDITURES	<u>316,115</u>
<u>NET (UNDER) BUDGET</u>	<u><u>(\$23,992)</u></u>

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Village's finances. If you have questions about this report or need additional information, contact the Business Office, Village of Otisville.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$436,623	\$254,346	\$690,969
Accounts Receivable	49,962	26,883	76,845
Due from Other Funds	0	17,667	17,667
Prepaid Expenses	5,147	0	5,147
Total Current Assets	\$491,732	\$298,896	\$790,628
<u>NON-CURRENT ASSETS</u>			
Construction in Progress	90,800	0	90,800
Depreciable Assets	667,073	3,875,963	4,543,036
Non-Depreciable Assets	2,000	85,579	87,579
Less: Accumulated Depreciation	(558,982)	(1,880,481)	(2,439,463)
Total Noncurrent Assets	\$200,891	\$2,081,061	\$2,281,952
<u>TOTAL ASSETS</u>	<u>\$692,623</u>	<u>\$2,379,957</u>	<u>\$3,072,580</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$10,201	\$0	\$10,201
Due to Other Funds	17,667	0	17,667
Accrued Expenses	2,768	0	2,768
Current Portion of Long-Term Obligations	21,000	21,283	42,283
Total Current Liabilities	\$51,636	\$21,283	\$72,919
<u>NON-CURRENT LIABILITIES</u>			
Non-Current Portion of Long-Term Obligations	330,000	220,474	550,474
<u>TOTAL LIABILITIES</u>	<u>\$381,636</u>	<u>\$241,757</u>	<u>\$623,393</u>
<u>NET ASSETS</u>			
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	53,371	1,839,304	1,892,675
Unrestricted	257,616	298,896	556,512
Total Net Assets	\$310,987	\$2,138,200	\$2,449,187
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$692,623</u>	<u>\$2,379,957</u>	<u>\$3,072,580</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
DDA	\$9,990	\$0	\$0	(\$9,990)	\$0	(\$9,990)
Legislative	12,482	0	0	(12,482)	0	(12,482)
Executive	4,117	0	0	(4,117)	0	(4,117)
Election	1,089	0	0	(1,089)	0	(1,089)
General Administration	37,991	5,659	0	(32,332)	0	(32,332)
Law Enforcement	91,910	0	0	(91,910)	0	(91,910)
Department of Public Works	115,026	49,645	0	(65,381)	0	(65,381)
Community Development	7,649	0	7,649	0	0	0
Highways, Streets and Sidewalks	76,206	0	0	(76,206)	0	(76,206)
Village Parks	5,628	310	0	(5,318)	0	(5,318)
Interest on Long-Term Obligations	5,865	0	0	(5,865)	0	(5,865)
Total Governmental Activities	<u>\$367,953</u>	<u>\$55,614</u>	<u>\$7,649</u>	<u>(\$304,690)</u>	<u>\$0</u>	<u>(\$304,690)</u>
Business-Type Activities:						
Water	111,052	110,811	0	0	(241)	(241)
Sewer	176,409	103,661	0	0	(72,748)	(72,748)
Total Business-Type Activities	<u>\$287,461</u>	<u>\$214,472</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$72,989)</u>	<u>(\$72,989)</u>
<u>TOTALS</u>	<u>\$655,414</u>	<u>\$270,086</u>	<u>\$7,649</u>	<u>(\$304,690)</u>	<u>(\$72,989)</u>	<u>(\$377,679)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				274,448	0	274,448
State Sources				156,332	0	156,332
Investment Earnings				3,861	8,371	12,232
Miscellaneous				1,854	44	1,898
Transfers from (to) Other Funds				(47,495)	47,495	0
Total General Revenues and Transfers				<u>\$389,000</u>	<u>\$55,910</u>	<u>\$444,910</u>
Change in Net Assets				<u>\$84,310</u>	<u>(\$17,079)</u>	<u>\$67,231</u>
Net Assets - Beginning				<u>226,677</u>	<u>2,155,279</u>	<u>2,381,956</u>
<u>Net Assets - Ending</u>				<u>\$310,987</u>	<u>\$2,138,200</u>	<u>\$2,449,187</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund	DDA Fund	Capital Improvement Fund	Village Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents	\$7,598	\$116,051	\$203,480	\$73,477	\$36,017	\$436,623
Accounts Receivable	40,531	0	0	6,263	3,168	49,962
Prepaid Expenditures	5,147	0	0	0	0	5,147
<u>TOTAL ASSETS</u>	<u>\$53,276</u>	<u>\$116,051</u>	<u>\$203,480</u>	<u>\$79,740</u>	<u>\$39,185</u>	<u>\$491,732</u>
<u>LIABILITIES</u>						
Accounts Payable	\$10,201	\$0	\$0	\$0	\$0	\$10,201
Due to Other Funds	17,667	0	0	0	0	17,667
Total Liabilities	\$27,868	\$0	\$0	\$0	\$0	\$27,868
<u>FUND BALANCES</u>						
Designated	23,736	0	0	0	18,136	41,872
Restricted - Capital Projects	0	0	203,480	0	0	203,480
Unreserved	1,672	116,051	0	79,740	21,049	218,512
Total Fund Balances	<u>\$25,408</u>	<u>\$116,051</u>	<u>\$203,480</u>	<u>\$79,740</u>	<u>\$39,185</u>	<u>\$463,864</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$53,276</u>	<u>\$116,051</u>	<u>\$203,480</u>	<u>\$79,740</u>	<u>\$39,185</u>	<u>\$491,732</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008

Total Governmental Fund Balances:	\$463,864
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$669,073 and the accumulated depreciation is \$558,982	110,091
Accrued Interest on Long-Term Debt	(2,768)
Construction in Progress	90,800
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds Payable	<u>(351,000)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$310,987</u>

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	DDA Fund	Capital Improvement Fund	Village Improvement Fund	Other Governmental Funds
<u>REVENUES</u>					
Taxes	\$136,593	\$91,907	\$0	\$45,948	\$0
Federal Sources	7,649	0	0	0	0
State Sources	91,902	0	0	0	64,430
Other Sources	22,812	1,329	235	1,503	35,450
Total Revenues	<u>\$258,956</u>	<u>\$93,236</u>	<u>\$235</u>	<u>\$47,451</u>	<u>\$99,880</u>
<u>EXPENDITURES</u>					
Current:					
DDA	0	9,990	0	0	0
Legislative	12,482	0	0	0	0
Executive	4,117	0	0	0	0
Election	1,089	0	0	0	0
General Administration	37,991	0	0	0	0
Law Enforcement	90,833	0	0	0	0
Department of Public Works	85,480	0	0	0	26,253
Community Development	7,649	0	0	0	0
Highways, Streets and Sidewalks	13,979	0	0	0	61,727
Village Parks	4,858	0	0	0	0
Debt Retirement	0	0	0	0	19,711
Capital Projects					
Contracted Services	0	0	90,800	0	0
Total Expenditures	<u>\$258,478</u>	<u>\$9,990</u>	<u>\$90,800</u>	<u>\$0</u>	<u>\$107,691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$478	\$83,246	(\$90,565)	\$47,451	(\$7,811)
<u>OTHER FINANCING SOURCES (USES)</u>					
Bond Proceeds	0	0	300,000	0	0
Transfers to (from) Other Funds	845	(51,201)	(5,955)	(10,579)	19,395
Total Other Financing Sources (Uses)	<u>\$845</u>	<u>(\$51,201)</u>	<u>\$294,045</u>	<u>(\$10,579)</u>	<u>\$19,395</u>
Net Change in Fund Balance	\$1,323	\$32,045	\$203,480	\$36,872	\$11,584
<u>FUND BALANCE - BEGINNING</u>	<u>24,085</u>	<u>84,006</u>	<u>0</u>	<u>42,868</u>	<u>27,601</u>
<u>FUND BALANCE - ENDING</u>	<u>\$25,408</u>	<u>\$116,051</u>	<u>\$203,480</u>	<u>\$79,740</u>	<u>\$39,185</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total Governmental Funds	Total net change in fund balances - governmental funds	\$285,304
	Amounts reported for governmental activities in the statement of activities are different because:	
\$274,448		
7,649	Governmental funds report capital outlays as expenditures. However,	
156,332	in the statement of activities, the cost of those assets is allocated	
61,329	over their estimated useful lives as depreciation expense. This is	
\$499,758	the amount by which capital outlay exceeded depreciation in the	
	current period.	(5,640)
	Construction in Progress	90,800
9,990		
12,482	Issuance of Bonds	(300,000)
4,117		
1,089	Repayment of bond principal is an expenditure in the governmental	
37,991	funds, but the repayment reduces long-term liabilities in the statement	
90,833	of net assets. This is the amount of repayments reported as	
111,733	expenditures in the governmental funds.	16,000
7,649		
75,706	Change in accrued interest on long-term liabilities	(2,154)
4,858		
19,711	<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$84,310</u>
90,800		
\$466,959		
\$32,799		
300,000		
(47,495)		
\$252,505		
\$285,304		
178,560		
\$463,864		

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND
AS OF JUNE 30, 2008

	<u>Enterprise</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$254,346
Accounts Receivable	26,883
Due from Other Funds	17,667
Total Current Assets	<u>\$298,896</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets:	
Land	85,579
Sewer System	3,021,300
Water System	854,663
Less: Accumulated Depreciation	<u>(1,880,481)</u>
Total Noncurrent Assets	<u>\$2,081,061</u>
<u>TOTAL ASSETS</u>	<u><u>\$2,379,957</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Current Portion of Long-Term Obligations	\$21,283
<u>NON-CURRENT LIABILITIES</u>	
Non-Current Portion of Long-Term Obligations	<u>220,474</u>
<u>TOTAL LIABILITIES</u>	\$241,757
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,839,304
Designated	206,284
Unrestricted	92,612
Total Net Assets	<u>\$2,138,200</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$2,379,957</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Enterprise</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$214,472
Miscellaneous Income	44
Total Operating Revenues	<u>\$214,516</u>
<u>OPERATING EXPENSES</u>	
Salaries and Wages	80,347
Fringe Benefits	53,957
Office Expense	440
Interest Expense	7,438
Postage	2,422
Operating Supplies	8,509
Chemicals	902
Testing Fees	4,573
Equipment Maintenance	22,991
Equipment Rental	4,442
Contracted Services	7,873
Telephone	3,108
Insurance	5,200
Lights and Heat	10,565
Depreciation	74,419
Education	275
Total Operating Expenses	<u>\$287,461</u>
Operating (Loss)	<u>(\$72,945)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Transfers from Other Funds	47,495
Interest Revenue	8,371
Total Nonoperating Revenues (Expenses)	<u>\$55,866</u>
Change in Net Assets	<u>(\$17,079)</u>
<u>NET ASSETS - BEGINNING</u>	<u>2,155,279</u>
<u>NET ASSETS - ENDING</u>	<u>\$2,138,200</u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Enterprise</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Service Users	\$205,127
Cash Payments for Goods and Services	(154,581)
Cash Payments to Employees	<u>(80,347)</u>
Net Cash (Used In) Operating Activities	(29,801)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Cash Payments on Bonds Payable	(21,283)
Cash Transfer from Other Funds	<u>47,495</u>
Net Cash Provided By Capital and Related Financing Activities	\$26,212
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earned on Investments	<u>8,371</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	\$4,782
<u>BALANCES - BEGINNING OF YEAR</u>	<u>249,564</u>
<u>BALANCES - END OF YEAR</u>	<u><u>\$254,346</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</u>	
<u>By Operating Activities</u>	
Operating (Loss)	(\$72,945)
Adjustments to Reconcile Operating (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation and Amortization	74,419
(Increase) Decrease in Assets	
Accounts Receivable	(9,345)
Due from Other Funds	(17,667)
Increase (Decrease) in Liabilities	
Accounts Payable	(2,999)
Due to Other Funds	<u>(1,264)</u>
<u>NET CASH (USED IN) OPERATING ACTIVITIES</u>	<u><u>(29,801)</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2008

ASSETS

Cash and Cash Equivalents	<u>\$4,608</u>
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LIABILITIES

Due to Other Groups	<u>\$4,608</u>
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See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

<u>REVENUE</u>	
Donations and Fees	\$0
<u>EXPENDITURES</u>	
Purchased Services and Supplies	<u>106</u>
<u>CHANGE IN NET ASSETS</u>	(\$106)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>4,714</u>
<u>NET ASSETS - END OF YEAR</u>	<u><u>\$4,608</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>REVENUES</u>				
Taxes	\$131,248	\$131,248	\$136,593	\$5,345
Federal Sources	0	7,649	7,649	0
State Sources	86,264	86,264	91,902	5,638
Other Sources	21,684	21,684	22,812	1,128
Total Revenues	<u>\$239,196</u>	<u>\$246,845</u>	<u>\$258,956</u>	<u>\$12,111</u>
<u>EXPENDITURES</u>				
Legislative	13,075	13,075	12,482	593
Executive	6,603	6,603	4,117	2,486
Election	1,000	1,000	1,089	(89)
General Administration	31,168	31,168	37,991	(6,823)
Law Enforcement	100,846	101,503	90,833	10,670
Department of Public Works	65,905	89,922	85,480	4,442
Community Development	0	7,649	7,649	0
Highways, Streets and Sidewalks	15,700	15,700	13,979	1,721
Village Parks	900	4,217	4,858	(641)
Total Expenditures	<u>\$235,197</u>	<u>\$270,837</u>	<u>\$258,478</u>	<u>\$12,359</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$3,999	(\$23,992)	\$478	\$24,470
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	<u>0</u>	<u>23,400</u>	<u>845</u>	<u>(22,555)</u>
	<u>\$3,999</u>	<u>(\$592)</u>	<u>\$1,323</u>	<u>\$1,915</u>
<u>FUND BALANCE - BEGINNING</u>			<u>24,085</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$25,408</u>	

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<u>REVENUES</u>				
Taxes	\$99,182	\$99,182	\$91,907	(\$7,275)
Other Sources	750	750	1,329	579
Total Revenues	\$99,932	\$99,932	\$93,236	(\$6,696)
<u>EXPENDITURES</u>				
DDA	32,450	9,050	9,990	(940)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$67,482	\$90,882	\$83,246	(\$7,636)
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(34,000)</u>	<u>(57,400)</u>	<u>(51,201)</u>	<u>6,199</u>
Net Change in Fund Balance	\$33,482	\$33,482	\$32,045	(\$1,437)
<u>FUND BALANCE - BEGINNING</u>			<u>84,006</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$116,051</u>	

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - VILLAGE IMPROVEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$45,960	\$45,960	\$45,948	(\$12)
Other Sources	400	400	1,503	1,103
Total Revenues	\$46,360	\$46,360	\$47,451	\$1,091
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(6,330)</u>	<u>(26,470)</u>	<u>(10,579)</u>	<u>15,891</u>
Net Change in Fund Balance	\$40,030	\$19,890	\$36,872	\$16,982
<u>FUND BALANCE - BEGINNING</u>			<u>42,868</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$79,740</u>	

See accompanying notes to the basic financial statements.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1) REPORTING ENTITY

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. The Village of Otisville's Village Council is the primary government which has oversight responsibility and control over all activities related to sanitation, public improvements, planning and zoning, and general administrative services within the Village. The Village receives funding from local, state and federal government sources and must comply with the accompanying requirements of these funding sources. However, the Village is not included in any other governmental "reporting entity" as defined by GASB pronouncements since the Village Council is a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities. As such, the Village Council has decision making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Education services are provided to citizens through the several local school Villages which are separate governmental entities.

This report does include the Downtown Development Authority, of which the Village of Otisville has oversight responsibilities.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Village of Otisville conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the Village's overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the Village's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). The government-wide financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the Village are grouped into the categories governmental and proprietary.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Village. Revenues are derived primarily from property taxes and state distributions, grants and other intergovernmental revenues.

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. Major and local street funds account for the resources of state gas and weight revenues that are restricted for use on streets.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the significant construction projects of the Village. (Capital Improvement Fund and Village Improvement Fund).

PROPRIETARY FUND

Enterprise Fund

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Village applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

FIDUCIARY FUNDS

These funds account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations and other governmental units.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The proprietary fund also uses the accrual basis of accounting.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The Village reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Village receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The Village considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) BAD DEBTS

The Village provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on a review of the current status of the existing receivables.

F) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$1,000 capitalization threshold and updated for additions and retirements during the year. In accordance with the provisions of GASB 34 the Village has elected to capitalize the cost of government fund infrastructure assets after the implementation date of GASB 34. Prior acquisitions or construction costs of infrastructure assets will not be recorded.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land	N/A
Buildings and Improvements	20 – 50 Years
Furniture and Equipment	5 Years
Vehicles	5 Years
System Infrastructure	50 Years

G) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

H) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

I) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

J) BUDGETS

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Two to three months prior to the beginning of the ensuing fiscal year, the Village Council reviews a proposed operating budget which includes proposed revenues and expenditures.
- 2) Prior to the beginning of the ensuing fiscal year, the Village Council passes a general appropriations act reflecting formal budget approval in accordance with the Michigan Uniform Budget Act.
- 3) Budgets for the general and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- 4) Budgeted amounts in this report are as originally adopted or as amended by the Village Council. Amendments were not material in relation to the original appropriations which were amended.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K) COMPENSATED ABSENCES

Under agreements with the Village, individual employees have a vested right to receive payments for unused sick leave under formulas and conditions specified in the agreements. As of June 30, 2008, substantially all of these benefits had been paid and are reflected in the financial statements.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2008, the Village incurred expenditures in budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2008, the Village had no investments.

Interest rate risk. The risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Concentration of credit risk. The risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Village did not have any investments as of June 30, 2008.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of June 30, 2008, \$305,848 of the Village's bank balance of \$432,715 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business.

Foreign currency risk. The Village is not authorized to invest in investments which have this type of risk.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4) DEPOSITS AND INVESTMENTS (Continued)

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$4,608	\$ 695,577
Investments	<u>0</u>
TOTAL	<u>\$ 695,577</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 4,608
Cash – Village Wide	690,969
Investments – Village Wide	<u>0</u>
<u>TOTAL</u>	<u>\$ 695,577</u>

5) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
Land	\$2,000	\$0	\$0	\$2,000
Land Improvements	335,000	0	0	335,000
Buildings	52,000	0	0	52,000
Equipment	<u>302,073</u>	<u>0</u>	<u>22,000</u>	<u>280,073</u>
Totals at Historical Cost	\$691,073	\$0	\$22,000	\$669,073
Less: Accumulated Depreciation				
Land Improvements	(311,750)	(770)	0	(312,520)
Buildings	(24,860)	(940)	0	(25,800)
Equipment	<u>(238,732)</u>	<u>(3,930)</u>	<u>(22,000)</u>	<u>(220,662)</u>
Total Accumulated Depreciation	<u>(\$575,342)</u>	<u>(\$5,640)</u>	<u>(\$22,000)</u>	<u>(\$558,982)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$115,731</u>	<u>(\$5,640)</u>	<u>\$0</u>	<u>\$110,091</u>

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
BUSINESS - TYPE ACTIVITIES				
Land	\$110,579	\$0	\$0	\$110,579
Sewer System	2,996,300	0	0	2,996,300
Water System	854,663	0	0	854,663
Less: Accumulated Depreciation	<u>(1,806,062)</u>	<u>(74,419)</u>	<u>0</u>	<u>(1,880,481)</u>
<u>BUSINESS - TYPE ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$2,155,480</u>	<u>(\$74,419)</u>	<u>\$0</u>	<u>\$2,081,061</u>

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

5) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

	Governmental	Business – Type	TOTAL
Village Parks	\$ 770	\$ 0	\$ 770
Highways, Streets & Sidewalks	500	0	500
Department of Public Works	3,293	0	3,293
Law Enforcement	1,077	0	1,077
Sewer	0	59,926	59,926
Water	0	14,493	14,493
<u>TOTAL</u>	<u>\$ 5,640</u>	<u>\$ 74,419</u>	<u>\$ 80,059</u>

6) FUND BALANCE DESIGNATIONS

The Village Council has adopted a resolution to designated fund balances as of June 30, 2008 as follows:

<u>DESIGNATED FUND BALANCE</u>	General	Special Revenue	Enterprise
DPW Equipment Replacement	\$ 20,715	\$ 0	\$ 0
Police Equipment Replacement	1,537	0	0
Flower Funds	182	0	0
Sewer Replacement	0	0	206,284
Highway Maintenance	0	18,136	0
Sidewalk Replacement	1,302	0	0
<u>TOTAL DESIGNATED FUND BALANCE</u>	<u>\$ 23,736</u>	<u>\$ 18,136</u>	<u>\$ 206,284</u>

7) PROPERTY TAX

The Village levies its property taxes on July 1 and collects its own property taxes until March 1st. The delinquent real property taxes of the Village are purchased by the County of Genesee, and delinquent personal property taxes continue to be collected by the Village and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year.

8) GENERAL LONG-TERM DEBT

A) MICHIGAN TRANSPORTATION FUND BONDS PAYABLE

The Village issued Michigan Transportation Fund Bonds dated May 1, 1996 in the aggregate amount of \$200,000. The bonds require annual principal payments and semi-annual interest payments at 5.5% per annum. The principal balance at June 30, 2008 was \$51,000.

B) 2008 CAPITAL IMPROVEMENT BONDS

The Village issued Capital Improvement Bonds dated May 22, 2008 in the aggregate amount of \$300,000. The bonds require annual principal payments and semi-annual interest payments at 4.6% per annum. The principal balance at June 30, 2008 was \$300,000.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

8) GENERAL LONG-TERM DEBT (Continued)

C) 1998 WATER REVENUE BONDS PAYABLE

The Village issued water revenue bonds dated September 29, 1998 in the aggregate amount of \$375,000 for the purpose of defraying a portion of the cost of the water project. The bonds require annual principal payments and semi-annual interest payment at 2.50% per annum. The bonds mature October 1, 2018 and the principal balance at June 30, 2008 was \$191,757. The bonds are issued through the Michigan Department of Environmental Quality's Water Revolving Fund.

D) 1998 A WATER REVENUE BONDS PAYABLE

The Village issued water revenue bonds dated October 1, 1998 in the aggregate amount of \$95,000 for the purpose of defraying a portion of the cost of the water project. The bonds require annual principal payments and semi-annual interest payment at 4.65% per annum. The bonds mature October 1, 2017 and the principal balance at June 30, 2008 was \$50,000.

<u>JUNE 30</u>	<u>Governmental</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$21,000	\$15,016	\$21,283	\$6,799
2010	22,000	15,027	21,283	6,159
2011	23,000	13,835	21,283	5,520
2012	5,000	13,110	21,283	4,880
2013	5,000	12,880	21,283	4,240
2014-2018	55,000	58,650	114,557	11,408
2019-2023	100,000	41,400	20,785	260
2024-2028	120,000	17,020	0	0
<u>TOTAL</u>	<u>\$351,000</u>	<u>\$186,938</u>	<u>\$241,757</u>	<u>\$39,266</u>

The interest expenditures on long-term obligations for the year were \$10,684.

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>7-1-06</u>	<u>Additions</u>	<u>Deductions</u>	<u>6-30-07</u>	<u>In One Year</u>
Governmental Activities:					
Bonds Payable	\$67,000	\$300,000	\$16,000	\$351,000	\$21,000
<u>Business-Type Activities:</u>					
Bonds Payable	\$263,040	\$0	\$21,283	\$241,757	\$21,283

9) INTERFUND BALANCES

Interfund balances at June 30, 2008 consisted of the following:

<u>DUE FROM</u>	
<u>DUE TO</u>	<u>Sewer Fund</u>
General Fund	\$17,667

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

10) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

TRANSFERS FROM				
TRANSFERS TO	General	DDA	Capital	
	Fund	Fund	Projects	Total
General Fund	\$0	\$23,400	\$0	\$23,400
Debt Fund	0	19,395	0	19,395
Sewer Fund	22,555	0	0	22,555
DDA	0	0	5,955	5,955
Water Funds	0	14,361	10,579	24,940
<u>TOTAL</u>	<u>\$22,555</u>	<u>\$57,156</u>	<u>\$16,534</u>	<u>\$96,245</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (4) reimburse expenditures or payment of interfund goods and services.

11) RETIREMENT PLAN

The Village has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Municipal Employees Retirement System (MERS), which is an agent multiple-employer public employee retirement system (PERS). The pension plan provides retirement, survivor and disability benefits. Separate financial statements for the Village are prepared by MERS on an annual basis.

Basically, all Village employees are eligible to participate in the MERS. A basic plan member may retire at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 2 percent of a member's five year final average compensation. Final average compensation is the employee's average salary over the last 5 years of credited service. Benefits fully vest upon reaching 10 years of service.

The Village's current year covered payroll and its total current year payroll for all employees amounted to \$164,016 and \$218,093, respectively. All required contributions to the plan are made by the employer.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of the projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MERS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. The MERS makes separate measurements of assets and pension benefit obligation for individual municipalities. The pension benefit obligation at December 31, 2007 (latest reporting date available) for the Village, determined through an actuarial valuation performed as of that date, was \$846,617. The benefit obligation is for vested and nonvested current employees. The Village's net assets available for benefits on that date (valued at cost) were \$775,415 leaving under funding of \$71,202. The Village made contributions of \$19,158 for the fiscal year ended June 30, 2008. The investment return rate and pay increase assumption used in making the actuarial valuation were 8% and 4.5 %, respectively. The Village funding policy is to contribute annually an amount sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Village may determine to be appropriate. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligations.

VILLAGE OF OTISVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) RETIREMENT PLAN (Continued)

Ten year historical trend information showing the MERS' progress in accumulating sufficient assets to pay benefits when due is presented in the December 31, 2007 comprehensive annual financial report. Three year historical trend information is as follows:

VALUATION DATE	NET ASSETS AVAILABLE FOR BENEFITS	PENSION BENEFIT OBLIGATION	PERCENT FUNDED	ASSETS IN EXCESS OF PENSION BENEFIT OBLIGATION AMOUNT	AS A PERCENT OF COVERED PAYROLL
12-31-05	\$ 658,704	\$ 692,081	95%	\$ (33,377)	29%
12-31-06	725,167	798,823	91%	(73,656)	30%
12-31-07	775,415	846,617	92%	(71,202)	28%

12) DEFERRED COMPENSATION (457) PLAN

The Village has adopted a Deferred Compensation Plan under Section 457 of the Internal Revenue Code. Individual employees, at their own discretion and in accordance with federal regulations, can elect to have a portion of their salary withheld and contributed to their individual trust accounts. No contributions are made by the Village.

13) RISK MANAGEMENT

The Village is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The Village limits its exposure to such claims through its participation in and payments of premiums for insurance coverages. The Village management believes that this provides sufficient coverage to protect the Village from any significant adverse financial impact.

**OTHER SUPPLEMENTAL
INFORMATION**

VILLAGE OF OTISVILLE, MICHIGAN
PROPRIETARY FUND
COMBINING BALANCE SHEETS
AS OF JUNE 30, 2008

	<u>ENTERPRISE FUND</u>		
		<u>WATER FUND</u>	
	<u>Sewer Fund</u>	<u>Receiving Fund</u>	<u>Operation & Maintenance Fund</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$208,659	\$0	\$40,807
Accounts Receivable	9,693	0	17,190
Due from Other Funds	17,667	0	0
Land	85,579	0	0
Sewer System	2,996,300	0	25,000
Water System	0	0	854,663
Accumulated Depreciation	(1,673,352)	0	(207,129)
<u>TOTAL ASSETS</u>	<u>\$1,644,546</u>	<u>\$0</u>	<u>\$730,531</u>
<u>LIABILITIES</u>			
Bonds Payable	\$0	\$0	\$241,757
<u>FUND EQUITY</u>			
Retained Earnings - Reserved	206,284	0	0
Retained Earnings - Unreserved	1,438,262	0	488,774
Total Fund Equity	<u>\$1,644,546</u>	<u>\$0</u>	<u>\$488,774</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$1,644,546</u>	<u>\$0</u>	<u>\$730,531</u>

ENTERPRISE FUND				
WATER FUND				
Bond Interest & Redemption				
1998 A Revenue Bonds	1998 Revenue Bonds	Surplus Fund	TOTAL WATER FUND	TOTAL AFTER INTERFUND ELIMINATIONS
\$3,953	\$927	\$0	\$45,687	\$254,346
0	0	0	17,190	26,883
0	0	0	0	17,667
0	0	0	0	85,579
0	0	0	25,000	3,021,300
0	0	0	854,663	854,663
0	0	0	(207,129)	(1,880,481)
<u>\$3,953</u>	<u>\$927</u>	<u>\$0</u>	<u>\$735,411</u>	<u>\$2,379,957</u>
\$0	\$0	\$0	\$241,757	\$241,757
0	0	0	0	206,284
3,953	927	0	493,654	1,931,916
<u>\$3,953</u>	<u>\$927</u>	<u>\$0</u>	<u>\$493,654</u>	<u>\$2,138,200</u>
<u>\$3,953</u>	<u>\$927</u>	<u>\$0</u>	<u>\$735,411</u>	<u>\$2,379,957</u>

VILLAGE OF OTISVILLE, MICHIGAN
PROPRIETARY FUND
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2008

	ENTERPRISE FUND		
	WATER FUND		
	Sewer Fund	Receiving Fund	Operation & Maintenance Fund
<u>OPERATING REVENUES</u>			
Charges for Services	\$103,661	\$0	\$110,811
<u>OPERATING EXPENSES</u>			
Salaries and Wages	45,275	0	35,072
Fringe Benefits	24,840	0	29,117
Office Expense	0	0	0
Interest Expense	0	0	0
Postage	322	0	2,100
Operating Supplies	3,510	0	4,999
Chemicals	0	0	902
Testing Fees	1,782	0	2,791
Equipment Maintenance	18,949	0	4,042
Equipment Rental	3,878	0	564
Contracted Services	5,009	0	2,864
Telephone	2,181	0	927
Insurance	5,200	0	0
Lights and Heat	5,537	0	5,028
Depreciation	59,926	0	14,493
Education	0	0	275
Total Operating Expenses	\$176,409	\$0	\$103,174
Operating Income (Loss)	(\$72,748)	\$0	\$7,637
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Miscellaneous Revenue	0	0	44
Interest Revenue	7,802	0	556
Transfers to (from) Other Funds	22,555	0	21,283
Total Non-Operating Revenues	\$30,357	\$0	\$21,883
<u>NET INCOME (LOSS)</u>	(\$42,391)	\$0	\$29,520
<u>RETAINED EARNINGS -</u> <u>BEGINNING OF YEAR</u>	1,686,937	0	459,254
<u>RETAINED EARNINGS -</u> <u>END OF YEAR</u>	\$1,644,546	\$0	\$488,774

ENTERPRISE FUND				
WATER FUND				
Bond Interest & Redemption		Surplus Fund	TOTAL WATER FUND	TOTAL ENTERPRISE FUND
1998 A Revenue Bonds	1998 Revenue Bonds			
\$0	\$0	\$0	\$110,811	\$214,472
0	0	0	35,072	80,347
0	0	0	29,117	53,957
251	189	0	440	440
2,441	4,997	0	7,438	7,438
0	0	0	2,100	2,422
0	0	0	4,999	8,509
0	0	0	902	902
0	0	0	2,791	4,573
0	0	0	4,042	22,991
0	0	0	564	4,442
0	0	0	2,864	7,873
0	0	0	927	3,108
0	0	0	0	5,200
0	0	0	5,028	10,565
0	0	0	14,493	74,419
0	0	0	275	275
\$2,692	\$5,186	\$0	\$111,052	\$287,461
(\$2,692)	(\$5,186)	\$0	(\$241)	(\$72,989)
0	0	0	44	44
4	9	0	569	8,371
4,302	(645)	0	24,940	47,495
\$4,306	(\$636)	\$0	\$25,553	\$55,910
\$1,614	(\$5,822)	\$0	\$25,312	(\$17,079)
2,339	6,749	0	468,342	2,155,279
\$3,953	\$927	\$0	\$493,654	\$2,138,200

VILLAGE OF OTISVILLE, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$35,087	\$930	\$36,017
Accounts Receivable	3,168	0	3,168
Due from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
<u>TOTAL ASSETS</u>	<u>\$38,255</u>	<u>\$930</u>	<u>\$39,185</u>
<u>FUND BALANCES</u>			
Reserved	\$18,136	\$0	\$18,136
Unreserved:			
Undesignated, Reported In:			
Special Revenue Fund	20,119	0	20,119
Debt Retirement	<u>0</u>	<u>930</u>	<u>930</u>
<u>TOTAL FUND EQUITY</u>	<u>\$38,255</u>	<u>\$930</u>	<u>\$39,185</u>

VILLAGE OF OTISVILLE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
State Sources	\$64,430	\$0	\$64,430
Other Sources	35,431	19	35,450
Total Revenues	<u>\$99,861</u>	<u>\$19</u>	<u>\$99,880</u>
<u>EXPENDITURES</u>			
Special Revenue	87,980	0	87,980
Debt Service			
Principal	0	16,000	16,000
Interest	0	3,245	3,245
Agent Fees	0	466	466
Total Expenditures	<u>\$87,980</u>	<u>\$19,711</u>	<u>\$107,691</u>
(Deficiency) of Revenues			
(Under) Expenditures	\$11,881	(\$19,692)	(\$7,811)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers to (from) Other Funds	0	19,395	19,395
Net Change in Fund Balance	<u>\$11,881</u>	<u>(\$297)</u>	<u>\$11,584</u>
<u>NET ASSETS - BEGINNING</u>	<u>26,374</u>	<u>1,227</u>	<u>27,601</u>
<u>NET ASSETS - ENDING</u>	<u>\$38,255</u>	<u>\$930</u>	<u>\$39,185</u>

VILLAGE OF OTISVILLE, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEETS
AS OF JUNE 30, 2008

	<u>Garbage Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$9,503	\$17,592	\$7,992	\$35,087
Accounts Receivable	<u>3,168</u>	<u>0</u>	<u>0</u>	<u>3,168</u>
<u>TOTAL ASSETS</u>	<u>\$12,671</u>	<u>\$17,592</u>	<u>\$7,992</u>	<u>\$38,255</u>
<u>FUND EQUITY</u>				
Designated	\$0	\$13,281	\$4,855	\$18,136
Unreserved and Undesignated	<u>12,671</u>	<u>4,311</u>	<u>3,137</u>	<u>20,119</u>
Total Fund Equity	<u>\$12,671</u>	<u>\$17,592</u>	<u>\$7,992</u>	<u>\$38,255</u>
<u>TOTAL FUND EQUITY</u>	<u>\$12,671</u>	<u>\$17,592</u>	<u>\$7,992</u>	<u>\$38,255</u>

VILLAGE OF OTISVILLE, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	Garbage Fund	Major Street	Local Street	Total
<u>REVENUES</u>				
<u>State Sources</u>	\$0	\$46,696	\$17,734	\$64,430
<u>Other Sources</u>				
Charges for Services	35,186	0	0	35,186
Interest	7	121	117	245
Total Other Sources	\$35,193	\$121	\$117	\$35,431
Total Revenues	\$35,193	\$46,817	\$17,851	\$99,861
<u>EXPENDITURES</u>				
<u>Garbage Collection</u>	26,253	0	0	26,253
<u>Highways, Streets and Bridges</u>				
Salaries and Wages	0	24,099	11,297	35,396
Fringe Benefits	0	5,716	5,803	11,519
Operating Supplies	0	378	0	378
Salt, Gravel and Chemicals	0	2,278	1,419	3,697
Contracted Services	0	1,808	0	1,808
Building and Equipment Rental	0	8,929	0	8,929
Total Highways, Streets and Bridges	\$0	\$43,208	\$18,519	\$61,727
Total Expenditures	\$26,253	\$43,208	\$18,519	\$87,980
Expenditures	\$8,940	\$3,609	(\$668)	\$11,881
<u>NET CHANGE IN FUND BALANCE</u>	\$8,940	\$3,609	(\$668)	\$11,881
<u>FUND BALANCE - BEGINNING OF YEAR</u>	\$3,731	\$13,983	\$8,660	\$26,374
<u>FUND BALANCE - END OF YEAR</u>	\$12,671	\$17,592	\$7,992	\$38,255

VILLAGE OF OTISVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2008

TAX COLLECTIONS

Current Property Taxes	\$134,265
Penalties and Interest on Taxes	2,328
Total Tax Collections	<u>\$136,593</u>

FEDERAL SOURCES

Community Development	7,649
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STATE SOURCES

Sales and Use Tax	90,250
Liquor Tax	1,652
Total State Sources	<u>\$91,902</u>

OTHER SOURCES

Equipment Rental	13,371
Building Rental	310
Charges for Services	1,088
Interest Earned	530
Fines, Fees and Permits	5,659
Miscellaneous Revenue	1,854
Total Other Sources	<u>\$22,812</u>
Total Revenues	<u>\$258,956</u>

OTHER FINANCING SOURCES

Transfer from Other Funds	<u>23,400</u>
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TOTAL REVENUES

\$282,356

VILLAGE OF OTISVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

LEGISLATIVEVillage Council

Salaries and Wages	\$1,600
Dues and Subscriptions	1,263
Education and Training	130
Insurance	7,500
Miscellaneous	1,989
Total Legislative	<u>\$12,482</u>

EXECUTIVEVillage President

Salaries and Wages	375
Education and Training	53
Miscellaneous	50
Total Village President	<u>\$478</u>

Village Manager

Salaries	2,600
Dues and Subscriptions	127
Fringe Benefits	675
Miscellaneous	103
Education and Training	134
Total Village Manager	<u>\$3,639</u>
Total Executive	<u>\$4,117</u>

ELECTIONS

Salaries and Wages	391
Office Expense	490
Advertising and Printing	208
Total Elections	<u>\$1,089</u>

GENERAL SERVICES ADMINISTRATIONAttorney

Professional Services	15,878
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Auditor

Professional Services	2,700
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Village Clerk

Salaries and Wages	10,216
Fringe Benefits	1,563
Office Expense	299
Postage	116
Contract Services	1,000
Education and Training	272
Total Village Clerk	<u>\$13,466</u>

VILLAGE OF OTISVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

GENERAL SERVICES ADMINISTRATION (Continued)

Board of Review

Salaries and Wages	\$420
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Village Treasurer

Salaries and Wages	4,313
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Office Expense	368
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Postage	242
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Contract Services	409
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Education and Training	195
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Total Village Treasurer	\$5,527
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Total General Services Administration	\$37,991
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LAW ENFORCEMENT

Salaries and Wages	46,758
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Fringe Benefits	14,581
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Retirement	3,512
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Office Expense	226
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Gas and Oil	3,800
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Uniforms	1,575
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Membership	(34)
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Contract Services	1,270
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Telephone	1,628
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Education and Training	738
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Automobile Maintenance	305
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Equipment Maintenance	764
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Insurance	12,750
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Utilities	494
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Equipment	1,851
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Miscellaneous Expense	615
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Total Law Enforcement	\$90,833
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VILLAGE OF OTISVILLE, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF PUBLIC WORKS

Salaries and Wages	\$36,488
Fringe Benefits	10,040
Office Expense	758
Postage	64
Gas and Oil	7,415
Uniforms	2,312
Operating Supplies	4,635
Equipment Maintenance	7,675
Contracted Services	2,208
Telephone	2,207
Insurance	4,131
Utilities	6,332
Miscellaneous	1,215
Total Department of Public Works	<u>\$85,480</u>

COMMUNITY DEVELOPMENT

Supplies	5,179
Contract Services	2,470
Total Community Development	<u>\$7,649</u>

HIGHWAYS, STREETS AND SIDEWALKS

<u>Street Lighting</u>	
Street Lights	12,570
<u>Sidewalk Maintenance</u>	
Contract Services	1,409
Total Highways, Streets and Sidewalks	<u>\$13,979</u>

VILLAGE PARKS

Contracted Services	503
Improvements	4,355
Total Village Parks	<u>\$4,858</u>

TOTAL EXPENDITURE

\$258,478

OTHER FINANCING USES

Transfers to Other Funds	<u>22,555</u>
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TOTAL EXPENDITURES AND OTHER FINANCING USES

\$281,033

VILLAGE OF OTISVILLE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

MICHIGAN TRANSPORTATION BONDS

DATE OF MATURITY	PRINCIPAL REQUIREMENT	DECEMBER INTEREST REQUIREMENT	JUNE INTEREST REQUIREMENT	ANNUAL TOTAL
2008-2009	\$16,000	\$1,403	\$963	\$18,366
2009-2010	17,000	962	495	18,457
2010-2011	18,000	495	0	18,495
<u>TOTALS</u>	<u>\$51,000</u>	<u>\$2,860</u>	<u>\$1,458</u>	<u>\$55,318</u>

1998 WATER REVENUE BOND

DATE OF MATURITY	INTEREST RATE	PRINCIPAL REQUIREMENT	OCTOBER INTEREST REQUIREMENT	APRIL INTEREST REQUIREMENT	ANNUAL TOTAL
2008-2009	2.50%	\$16,283	\$2,397	\$2,193	\$20,873
2009-2010	2.50%	16,283	2,193	1,990	20,466
2010-2011	2.50%	16,283	1,990	1,786	20,059
2011-2012	2.50%	16,283	1,786	1,583	19,652
2012-2013	2.50%	16,283	1,583	1,379	19,245
2013-2014	2.50%	16,283	1,379	1,176	18,838
2014-2015	2.50%	16,283	1,176	972	18,431
2015-2016	2.50%	16,283	972	769	18,024
2016-2017	2.50%	20,354	769	514	21,637
2017-2018	2.50%	20,354	514	260	21,128
2018-2019	2.50%	20,785	260	0	21,045
<u>TOTALS</u>		<u>\$191,757</u>	<u>\$15,019</u>	<u>\$12,622</u>	<u>\$219,398</u>

VILLAGE OF OTISVILLE, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2008

1998 A WATER REVENUE BOND

DATE OF MATURITY	INTEREST RATE	PRINCIPAL REQUIREMENT	OCTOBER INTEREST REQUIREMENT	APRIL INTEREST REQUIREMENT	ANNUAL TOTAL
2008-2009	4.65%	\$5,000	\$1,163	\$1,046	\$7,209
2009-2010	4.65%	5,000	1,046	930	6,976
2010-2011	4.65%	5,000	930	814	6,744
2011-2012	4.65%	5,000	814	697	6,511
2012-2013	4.65%	5,000	697	581	6,278
2013-2014	4.65%	5,000	581	465	6,046
2014-2015	4.65%	5,000	465	349	5,814
2015-2016	4.65%	5,000	349	233	5,582
2016-2017	4.65%	5,000	233	116	5,349
2017-2018	4.65%	5,000	116	0	5,116
<u>TOTALS</u>		<u>\$50,000</u>	<u>\$6,394</u>	<u>\$5,231</u>	<u>\$61,625</u>

2008 CAPITAL IMPROVEMENT BONDS

DATE OF MATURITY	INTEREST RATE	PRINCIPAL REQUIREMENT	OCTOBER INTEREST REQUIREMENT	APRIL INTEREST REQUIREMENT	ANNUAL TOTAL
2008-2009	4.60%	\$5,000	\$5,750	\$6,900	\$17,650
2009-2010	4.60%	5,000	6,785	6,785	18,570
2010-2011	4.60%	5,000	6,670	6,670	18,340
2011-2012	4.60%	5,000	6,555	6,555	18,110
2012-2013	4.60%	5,000	6,440	6,440	17,880
2013-2014	4.60%	10,000	6,325	6,325	22,650
2014-2015	4.60%	10,000	6,095	6,095	22,190
2015-2016	4.60%	10,000	5,865	5,865	21,730
2016-2017	4.60%	10,000	5,635	5,635	21,270
2017-2018	4.60%	15,000	5,405	5,405	25,810
2018-2019	4.60%	20,000	5,060	5,060	30,120
2019-2020	4.60%	20,000	4,600	4,600	29,200
2020-2021	4.60%	20,000	4,140	4,140	28,280
2021-2022	4.60%	20,000	3,680	3,680	27,360
2022-2023	4.60%	20,000	3,220	3,220	26,440
2023-2024	4.60%	20,000	2,760	2,760	25,520
2024-2025	4.60%	25,000	2,300	2,300	29,600
2025-2026	4.60%	25,000	1,725	1,725	28,450
2026-2027	4.60%	25,000	1,150	1,150	27,300
2028-2029	4.60%	25,000	575	575	26,150
<u>TOTALS</u>		<u>\$300,000</u>	<u>\$90,735</u>	<u>\$91,885</u>	<u>\$482,620</u>



October 20, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council of
Village of Otisville

We have audited the financial statements of the Village of Otisville as of and for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Otisville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Otisville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Otisville's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Otisville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Otisville's financial statements that is more than inconsequential will not be prevented or detected by the Village of Otisville's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Otisville's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Otisville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the management and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Lewis + Knopf PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS